



SUMMARY ANNUAL REPORT

For the Fiscal Year Ending December 31, 2023

CERF



COUNTY EMPLOYEES'
RETIREMENT FUND

Helping you build a brighter tomorrow.

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

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Facsimile: (573) 761-4404
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COUNTY EMPLOYEES' RETIREMENT FUND 2023 Board of Trustees

Mark Price – *Chair*

Ted Nichols – *Vice Chair*

Rick Watson – *Secretary*

Sid Conklin – *Board Member*

Collin Follis – *Board Member*

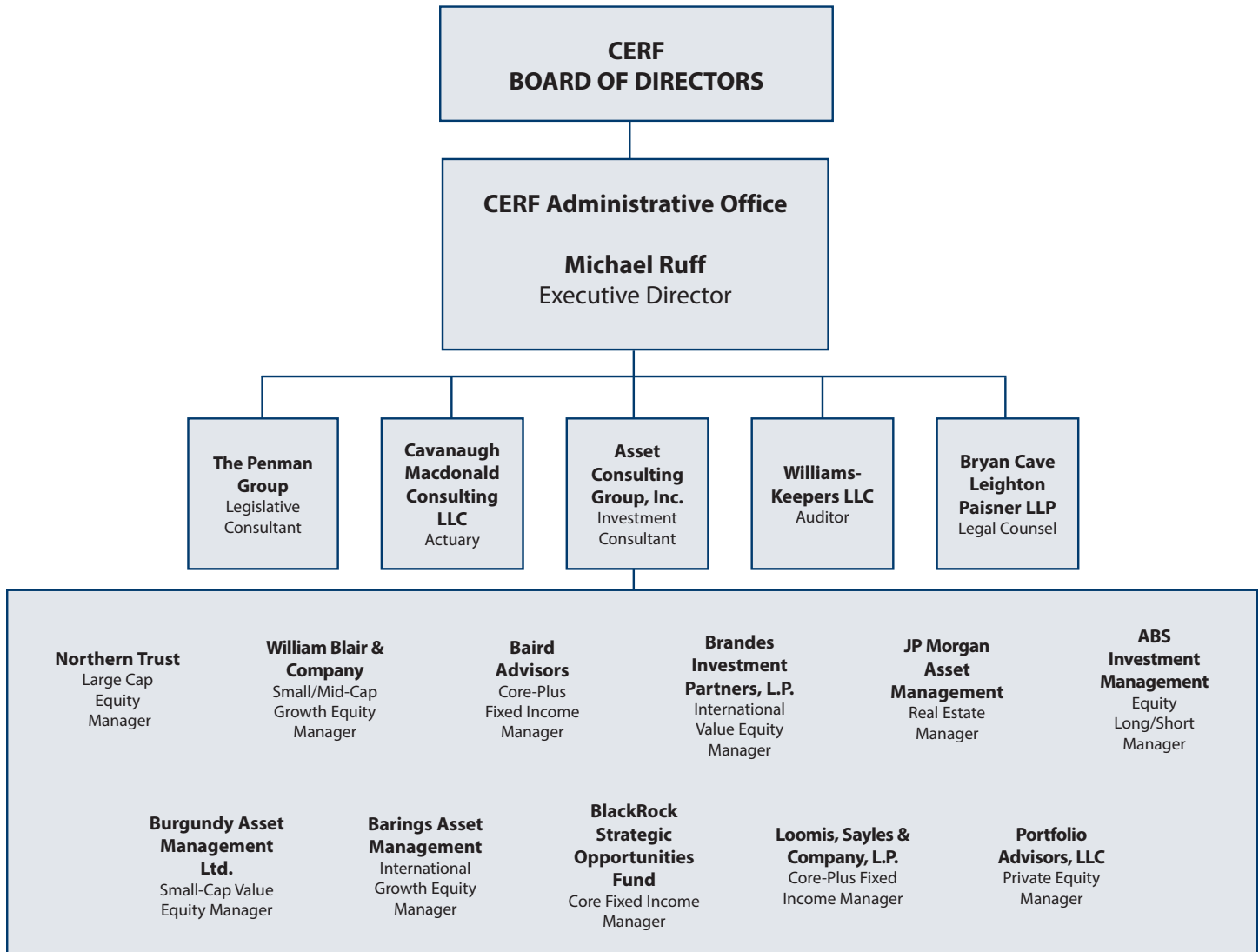
Daniel Franks – *Board Member*

Sandy Jung – *Board Member*

June Pitchford – *Board Member*

Jim Platt – *Board Member*

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full annual comprehensive financial report is available on CERF's website. Financial statements and audit materials are available upon request pursuant to Missouri's Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:

*CERF Plan Administrator
2121 Schotthill Woods Drive
Jefferson City, MO 65101*

The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.

CERF Pension Plan

Eligibility	Full-time employees (scheduled to work at least 1,000 hours a year) , and elected and appointed county officials are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.
Participation	Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.
Contributions	House Bill 1455 (2002) requires all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.
Vesting	A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.
Prior Service	Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.
Early Retirement	Members have the option of retiring as early as age 55 (with eight years of continuous creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.
Cost-of-Living Adjustment	The Board may authorize a Cost-of-Living Adjustment (COLA) each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. COLAs will become effective on July 1 of each year.
Survivor Benefits	<p>ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000.</p> <p>NON-VESTED MEMBERS: Senate Bill 625, effective August 28, 2012, allows a refund of contributions to the beneficiary(ies) of active members who die after December 31, 2002, and before becoming vested.</p> <p>MARRIED, VESTED MEMBERS: If a vested participant dies before his or her pension begins, his or her surviving spouse can apply for a 50% spousal pension benefit.</p> <p>SINGLE, VESTED MEMBERS: House Bill 795, effective August 28, 2004, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.</p> <p>RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminated employment or retired on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.</p>

CERF Savings Plan

Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute 0.7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

Voluntary Contributions

In 2023, participants may contribute up to the lesser of \$22,500, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who contributed to the 457 Plan, earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county. The match will be deposited into the 401(a) component of member accounts as soon as administratively feasible after the plan year has ended.

Vesting

Members are always 100% vested in their automatic (0.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.

Investment Options

A broad range of investment options is available, including the option to pick individual funds or target date funds, or have your account managed for you by Empower.

Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either KeyTalk at 800-701-8255 or the website at www.empower.com. You will need to use your user ID and personal identification number (PIN) provided to you by Empower.

Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.

Rollovers and Plan Transfers

Members who have other qualified 457, 401(a) or 401(k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

Need More Information

For more information on the CERF Savings Plan, please call the CERF Administrative Office.

Investments

CERF Investment Program Background and Portfolio Asset Allocation

The purpose of CERF's investment program is to provide long-term benefits to the plan's participants, by investing the pension fund assets in a manner that maximizes expected long-term results while reducing exposure to undue risk. CERF's Board of Directors maintains an Investment Policy which sets guideposts around the investment program, articulating the fund's goals, objectives, and prudent risk parameters. The CERF Board of Directors works closely with their investment consultant to oversee all aspects of the investment program, including investment policy design and review, asset allocation, and ongoing investment manager due diligence. The Board and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues, with interim meetings held as needed. Further, CERF's individual investment managers provide regular updates on their portfolios to the consultant and CERF's staff, including a formal update to the Board on a periodic basis.

Asset allocation is employed as the primary tool for managing the long-term risk and return objectives for CERF's investment portfolio. CERF's portfolio is well-diversified, with exposure to several different investment strategies (asset classes), sub-strategies and investment managers. Investments are continually monitored by the investment consultant and Board of Directors for appropriateness and alignment with stated investment objectives and guidelines. Assets are periodically rebalanced to keep the exposures to various investments within the stated ranges defined in the investment policy.

Equity Portfolio Target: 65%

Equities provide for growth opportunities within the investment program. The equity allocation benefits from a diverse line-up of strategies including both domestic and foreign exposures ranging in capitalization from small to large, and in style orientation from value to growth. Additional diversification benefits are achieved through the inclusion of hedged and private equity investments.

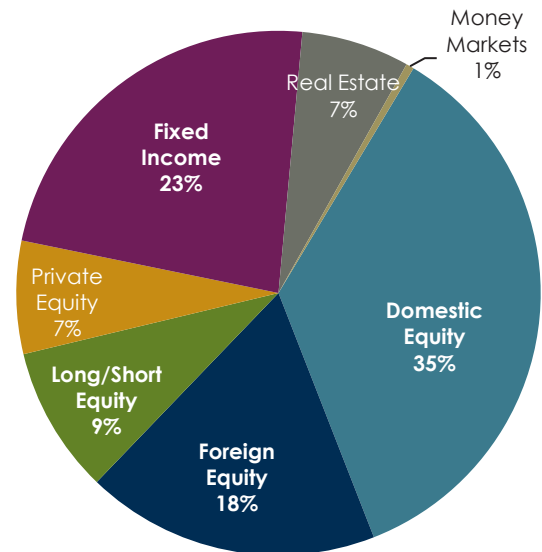
Fixed Income Portfolio Target: 25%

Fixed Income strategies are included in the investment program to further enhance diversification, as over time, bonds are generally less volatile than stocks. Much like the equity allocations, the complementary fixed income strategies are designed to provide broad exposure to the global fixed income markets, including diversification by quality, sector, geography and security type.

Real Asset Portfolio Target: 10%

Real assets typically behave differently than stocks and bonds, and their low correlation to these other asset classes provides even further diversification to the investment portfolio. CERF's portfolio includes an allocation to real estate through a diversified real estate fund. The real estate portfolio is invested in different geographic locations and different property types, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

Pension Fund Allocation as of 12/31/23



Total Pension Fund Assets: \$752,600,000



2023 Market Environment

The US economy defied recession calls in 2023, weathering a banking crisis, the restart of student loan payments, dwindling consumer savings, labor disputes, and geopolitical conflicts. The economic forces which fueled inflation in 2022 eased in 2023, causing the Federal Reserve to slow the pace of interest rate increases. Market participants expect the Federal Reserve to begin lowering interest rates in 2024 due to easing inflation and the risk of higher-for-longer rates tipping the economy into a recession.

After a disappointing 2022, Global Equities rebounded sharply in 2023, with an approximately 22% increase for the MSCI ACWI. Declining inflation, a resilient economy, and declining interest rate expectations were contributing factors. US Equity returns favored US Large Caps, with the S&P 500 outperforming the Russell 2000 index by 936 basis points in 2023. US Large Caps experienced a wide divergence in style returns; the Russell 1000 Growth outperformed the Value index by over 31 percentage points (3100 basis points). Just two of the S&P 500's eleven sectors were negative in 2023, Energy (-1.3%) and Utilities (-7.1%). However, in 2022, these were the only two positive sectors. Developed International Equity lagged US Large Caps as economic growth has been more muted overseas and geopolitical forces continue to impact some regions. Despite this, the MSCI EAFE increased approximately 18% in 2023. Emerging Markets lagged their developed peers, with markets increasing approximately 10%.

The US economy's growth remained resilient in 2023 after positive, but anemic growth in 2022. Real GDP increased 3.1% in 2023, led by strong consumer spending as excess pandemic savings were drawn down and real wage gains were realized in the second half of the year. Despite high interest rates and layoffs in the tech sector, the labor market also

Investments

remained strong, with the unemployment rate ending the year at 3.7% from 3.5% in 2022.

US inflation continued its downward trajectory in 2023, and ended the year at 3.3%, well below the peak of 9.1% in June 2022 but stubbornly above the Fed's target of 2%. Due to the lagged effect of interest rate increases on the economy, the Fed kept the federal funds rate steady at a range of 5.25%-5.50% from July through the end of the year as they wait to see the total impact of interest rate increases. Market participants and Fed officials expect the Federal Reserve to begin lowering interest rates in 2024.

2023 Portfolio Performance

CERF's investment portfolio for the fiscal year ended December 31, 2023, increased 13.38% as calculated using a time-weighted rate of return methodology based upon fair values versus the Policy Index return of 14.24%. After protecting during the market drawdown in 2022, Private Equity and Real Assets lagged in 2023. Public Fixed Income rebounded, and Public Equities posted strong absolute returns across sub-asset classes.

CERF's US Large Cap Equity portfolio returned 26.29% compared to the equity benchmark of 26.29%. The US Small/Mid Cap Equity portfolio returned 21.02% compared to the benchmark of 17.42%, Non-US Equity returned 24.30% compared to the benchmark of 18.24%, Global Equity had a return of 9.08% compared to the benchmark of

11.36%, and Private Equity returned 2.31% compared to the benchmark of 26.29%.

Large Cap Domestic Equity is passively managed and mirrors the S&P 500's performance, while allowing CERF to benefit from lower fees. In Small Cap, both managers outperformed their benchmarks and ranked above median compared to peers. Non-US Equity outperformed the benchmark with the bulk of this performance attributed to one manager, while the second manager slightly lagged their respective benchmark. The Global Equity Portfolio lagged relative to the benchmark.

CERF's Fixed Income portfolio returned 7.28%, compared to the Fixed Income benchmark of 5.53%. CERF's Real Assets portfolio is now comprised of a Core Real Estate component and an Opportunistic Real Estate component. The Core Real Estate manager returned -14.34% and the Opportunistic Real Estate manager returned -22.50% versus the benchmark return of -12.02%.

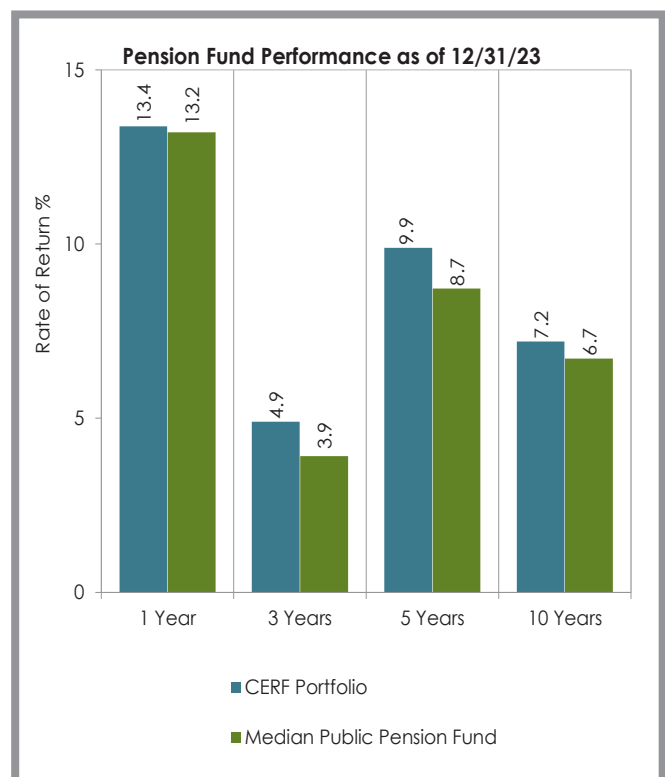
These returns were calculated by CERF's investment consultant, Asset Consulting Group. The success of CERF's investment program is defined by its adherence to the Investment Policy guidelines, and its performance compared to the stated return objectives and risk parameters as we navigate different market environments. The charts below illustrate the plan's annualized performance and risk alongside the expectations laid out in the Policy. Notably, the CERF portfolio meets all stated relative long-term objectives, and has outperformed the median public pension fund peer group across all time frames illustrated.

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Total Pension Fund Performance vs. Objectives

(December 31, 1994 – December 31, 2023)

	Benchmark	CERF
Return Objectives		
At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption on an ongoing basis.	7.25%	8.64%
The pension fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.61%	8.64%
The pension fund's total return should exceed the total return of an index composed as follows:		
65% MSCI ACWI Index	8.21%	8.64%
25% Bloomberg US Agg Index		
10% NFI ODCE Index		
Risk Objective		
The pension fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of the index noted above.	10.09%	9.75%



Actuarial

PLAN MEMBERSHIP

AS OF JANUARY 1, 2024

Covered Payroll	\$600,022,218
Average Pay per Active Member	\$48,372

ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

Unfunded Actuarial Accrued Liability (UAAL)	\$182,257,093
Amortization of UAAL, with interest to mid-year*	\$25,346,377
Normal Cost, with interest to mid-year	\$36,516,500
Reduction in Normal Cost for Member Contributions	\$22,811,216
Annual Required Contributions as a percent of payroll for 2024	\$39,051,661 6.81%

PLAN ASSETS

Actuarial Value	\$792,653,687
Market Value	\$761,376,292

FUNDED STATUS

Entry Age Normal Actuarial Accrued Liability	\$974,910,780
Funded Ratios	
Funded Percentage on Actuarial Value of Assets	81%
Funded Percentage on Market Value of Assets	78%

* Until July 1, 2011, the UAAL was being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995. As of July 1, 2011, the UAAL amortization was started fresh over a 20-year period. New components of the UAAL will be amortized over new 20-year periods as such components arise.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2023

ASSETS

Cash	<u>\$ 7,292,008</u>
Receivables:	
Member contributions	576,526
Member prior service contributions	72,075
Employer contributions	5,167,602
Accrued interest and dividends	<u>52,746</u>
Total receivables	<u>5,868,949</u>
Investments, at fair value:	
Common stocks	88,689,229
Fixed income mutual funds	175,077,237
Hedge funds	68,297,258
Domestic equity fund	172,810,945
International equities funds	136,440,742
Real estate fund	46,476,088
Private equity	52,062,648
Cash equivalents	<u>9,163,778</u>
Total investments	749,017,925
Capital assets, net of accumulated depreciation of \$3,297,958	<u>4,255,535</u>
Total assets	<u>766,434,417</u>

LIABILITIES AND DEFERRED INFLOWS

Accounts payable	539,741
Accrued defined contribution plan funding	3,781,992
Other accrued expenses	358,343
Unearned revenue	378,049
Net pension liability	<u>837,467</u>
Total liabilities	<u>5,895,592</u>
Deferred inflows of resources - pension	<u>16,538</u>
Net position-restricted for pension benefits	<u><u>\$760,522,387</u></u>

The complete Annual Comprehensive Financial Report, including the notes to financial statements, is available on CERF's website or by contacting the CERF Administrative Office.

Financial Statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2023

ADDITIONS:

Contributions:

County receipts	\$ 39,696,685
By members	18,980,084
For members, paid by counties	3,865,496
Members, purchase of prior service	43,061

Total contributions	<u>62,585,326</u>
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Investment income:

Investing activities:

Net appreciation in fair value of investments	76,020,709
Fixed income securities	6,472,379
Equity securities	4,964,889
Other miscellaneous loss	(228,158)

Total investment income	<u>87,229,819</u>
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Investment expenses	<u>(3,119,074)</u>
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Total net investment income	<u>84,110,745</u>
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Other income	<u>7,239</u>
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Total additions	<u>146,703,310</u>
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DEDUCTIONS:

Benefits	48,422,425
Refunds of member contributions	5,314,335
Defined contribution plan matching contribution	3,781,992
Pension expense	854,005
Administrative expense	3,905,934

Total deductions	<u>62,278,691</u>
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Net increase	84,424,619
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Net position - restricted for pension benefits

Beginning of year	<u>676,097,668</u>
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End of year	<u><u>\$ 760,522,287</u></u>
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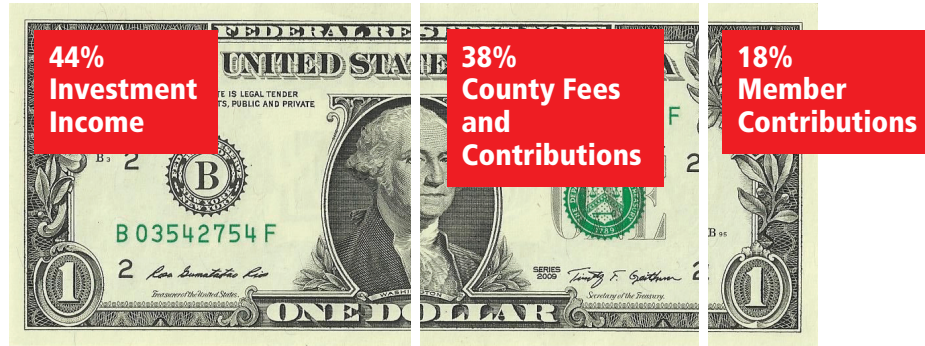
CERF Quick Facts

Data as of December 31, 2023

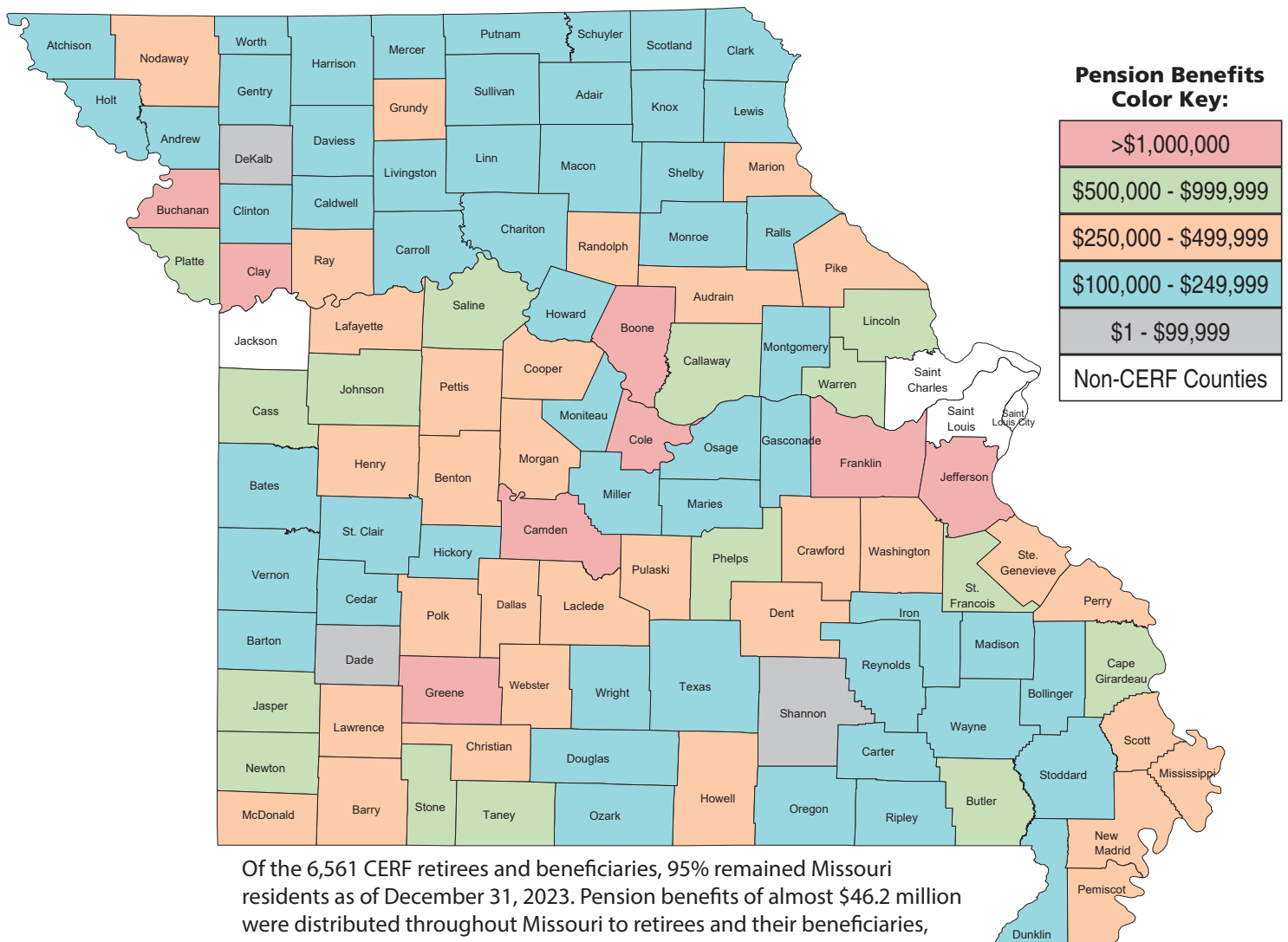
How Benefits Are Funded

Historically, approximately half of retirement benefits have been funded by investment returns with the remainder coming from a combination of county fees and contributions.

Funding for Benefit Payments by Source

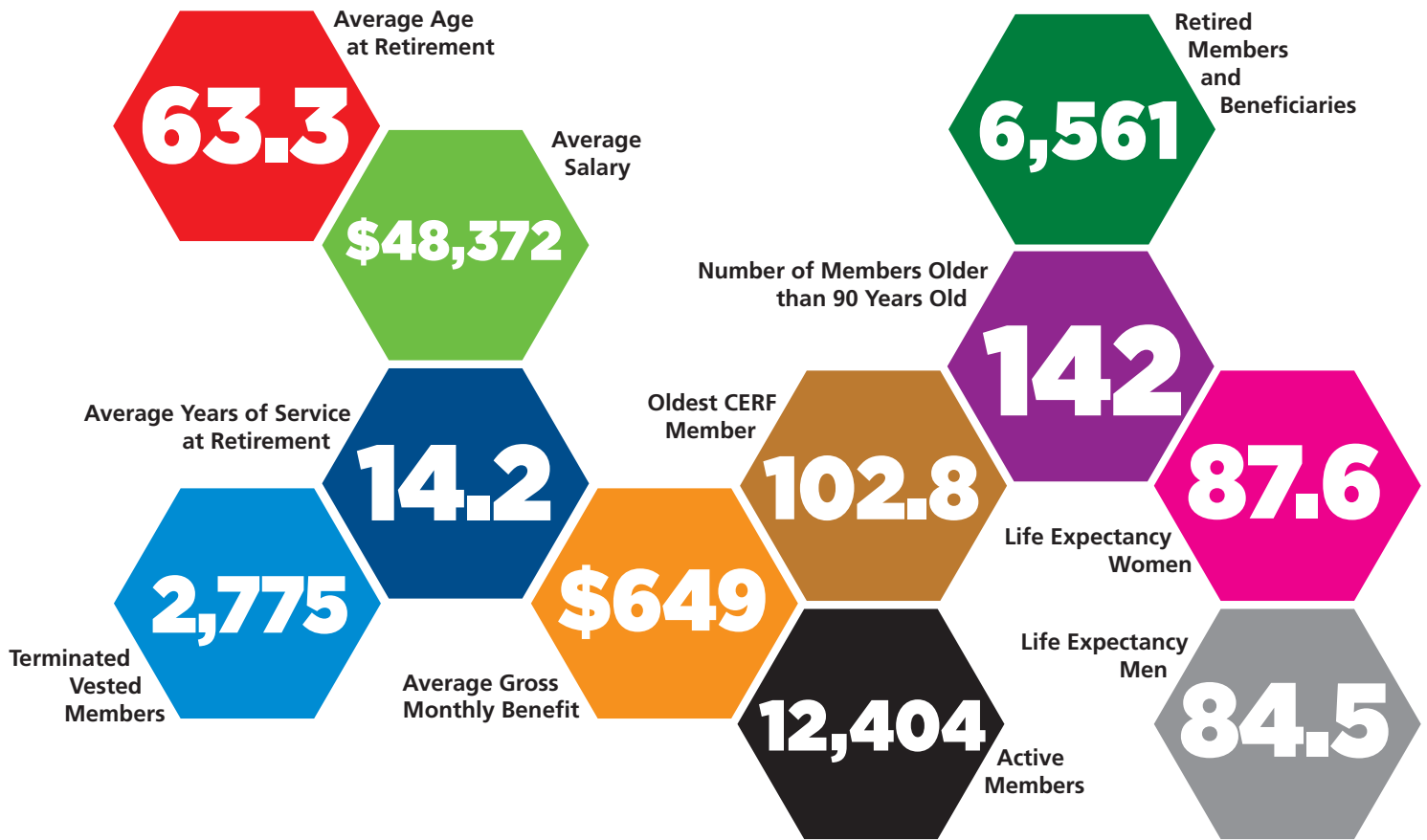


2023 Retiree and Beneficiary Benefit Payments by County



CERF Quick Facts

Data as of December 31, 2023



Summary of County Receipts for 2023

